

Message Text

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21

ACTION EA-14

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1819

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E.O. 11652: N/A

TAGS: EFIN, ID

SUBJECT: PROPOSED GOI POLICY CHANGES ON FOREIGN INSURANCE COMPANIES

REFS: A. STATE 055424; B. JAKARTA 0316

1. SUMMARY: BOTH U.S. INSURANCE FIRMS IN JAKARTA PROVIDED WRITTEN COMMENT EXPRESSING STRONG OPPOSITION TO PROPOSED POLICY REQUIRING FOREIGN INSURANCE COMPANIES TO FORM JOINT VENTURES WITH INDONESIAN INSURANCE COMPANIES. ONE ALSO SET OUT MAJOR POINTS FOR CONSIDERATION IF, HOWEVER, POLICY IS IMPLEMENTED. NEITHER BRITISH NOR DUTCH HAVE MADE REPRESENTATIONS AND WILL DO SO ONLY IF INSTRUCTED. BELIEVE WE SHOULD FULFILL PROMISE TO PROVIDE GOI WITH USG REACTIONS. ACTION REQUESTED: INSTRUCTIONS TO INFORM GOI THAT IF POLICY IS IMPLEMENTED THAT FOREIGN FIRMS BE CONSULTED TO ASSURE LEAST POSSIBLE NEGATIVE IMPACT ON INTERESTS OF FOREIGN INSURANCE COMPANIES. END SUMMARY.

2. EMBASSY HAS RECEIVED WRITTEN COMMENTS FROM RESIDENT OFFICES OF AMERICAN INTERNATIONAL UNDERWRITERS, LTD. DATED FEB 19 AND AMERICAN INSURANCE COMPANY (AFIA)
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DATED MARCH 20 (BEING POUCHED) WHICH MAKE MANY SAME

POINTS PARAS 2-7 REF A. NEITHER AFIA NOR AIU COMMENTED ABOUT KOMPAS ARTICLE NOTED PARA 5 REF A. AFIA DIVIDES ITS COMMENTS INTO GENERAL OPPOSITION TO JOINT VENTURE POLICY PROPOSAL AND SECONDLY, ASSUMING GOI WILL GO FORWARD WITH POLICY IMPLEMENTATION HOW BEST, IN TERMS FOREIGN INSURANCE COMPANIES INTERESTS, CARRY OUT CHANGEOVER TO JOINT VENTURE COMPANIES. AIU ONLY EXPRESSES POINTS IN OPPOSITION.

3. BOTH ARGUE THAT FOREIGN INSURANCE COMPANIES DO NOT DOMINATE INDONESIAN MARKET. AIU STATES FOREIGN FIRMS "PARTICIPATE (AT BEST) IN NO MORE THAN 20 PERCENT" OF INDONESIAN INSURANCE BUSINESS. AFIA CLAIMS THAT IN MOST LDC'S LOCAL INSURANCE COMPANIES CONTROL "FAR MORE THAN 50 PER CENT OF THE MARKET". BOTH MAKE POINT THAT FOREIGN INSURANCE COMPANIES SERVE DIFFERENT MARKET FROM INDONESIAN COMPANIES (PARA E REF A).

4. NEITHER BRITISH NOR NETHERLANDS EMBASSIES INTEND MAKE REPRESENTATIONS TO GOI UNLESS INSTRUCTED AND THUS FAR HAVE RECEIVED NO GUIDANCE. INVOLVED IN THEIR DECISION IS FACT THAT EACH HAS INSURANCE COMPANY THAT ALREADY OPERATING WITH INDONESIAN JOINT VENTURE PARTNER ON VOLUNTARY BASIS (REF B PARA 2). BOTH TAKE POSITION THAT IF GOI GOES AHEAD AND ORDERS IMPLEMENTATION OF JOINT VENTURE POLICY THAT FOREIGN EMBASSIES SHOULD QUOTE GRACEFULLY EXPRESS HELPFUL GUIDANCE UNQUOTE TO ASSURE THAT CHANGE TAKES PLACE OVER EXTENDED PERIOD AND BE DONE IN LEAST DISRUPTIVE WAY POSSIBLE. POINTS MADE BY AFIA IN THIS REGARD MAY BE HELPFUL. AFIA SUGGESTS MINIMUM OF TWO YEARS; MINIMUM CAPITAL OF RPS. 100 MILLION; INITIALLY 80 PERCENT FOREIGN OWNERSHIP TO PROVIDE NECESSARY CAPITAL WITH GRADUAL CHANGE TO GREATER SHARE FOR INDONESIAN PARTNER; NON-DISCRIMINATION ON TAX AND DEPOSIT REQUIREMENTS; REINSURANCE OUTSIDE THE DOMESTIC MARKET SHOULD BE PERMITTED; AND LAST, TRAINING OF INDONESIAN JOINT VENTURE PERSONNEL SHOULD BE PROVIDED THROUGH APPROVED EXPATRIATE TRAINING OFFICERS FROM STAFF OF FOREIGN JOINT VENTURE PARTNER.

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5. AFIA MANAGER FOR INDONESIA CLAIMS THAT MOVEMENT TO IMPLEMENT PROPOSED POLICY HAS SLOWED BECAUSE FOREIGN FIRMS HAVE EXPRESSED GREAT OPPOSITION. NONETHELESS, EMBASSY BELIEVES IT SHOULD FULFILL PROMISE (REF A PARA 6) TO PROVIDE HASJIM WITH USG REACTION AND WILL SUGGEST SAME TO BRITISH AND DUTCH COLLEAGUES. BELIEVE EMBASSY SHOULD EXPRESS VIEW THAT IF GOI

MOVES FORWARD WITH THIS PROPOSED POLICY THAT IT SHOULD
BE IMPLEMENTED IN LEAST DISRUPTIVE WAY POSSIBLE AND
ONLY AFTER CONSULTATION WITH FOREIGN FIRMS TO ASSURE
THAT THEIR INTERESTS ARE FULLY TAKEN INTO CONSIDERATION.

6. PLEASE ADVISE.
NEWSOM

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